

## Parts Manager Conversation

Collaborate with your Parts Manager to answer the following questions. Use this opportunity to share new ideas from the class and to coach your Parts Manager on how they can be implemented. Be sure to respect their expertise. **Provide your answers in a different color font.**

1. What formal parts management training does your parts manager have (for example, the NADA Academy Seminar)?
  - My parts manager Jaime has been working in a parts department for 23 years. She has had little to no 'formal' parts management training. She was trained by the parts manager who was in place before her, and learned from him.
  - Kia provides basic parts training, but this is from a manufacturer level, not a dealer oriented level.
2. Does your Dealership/Parts department have a Vision statement that all departmental employees know and understand? What is it?
  - Russ Darrow Group Credo/Vision Statement: "To be the best in sales, service, and personnel". "We are ladies and gentlemen, serving ladies and gentlemen"
  - No Vision Statement.
  - I harp on order, process, fluidity. No real vision statement per say.
3. Have you ever tracked your First Time Fill Rate (FTFR) manually (not using the DMS or your OEM)? What is your current Repair Order FTFR?
  - I have never tracked the first time fill rate manually. For stocking and phase in/phase out, I rely on PartsEye to suggest and order the correct amount of inventory. I check in on it and will get a feel of what we need/ time of year and what we may need more of, but for the most part am looking at PartsEye to take most of the guess work out of it.
  - I feel like the 25 RO exercise was not a large enough sample to get a great sense of the current repair order FTFR, however, it is not where it should be. Our parts department is restricted by the space available to it, and so we cannot keep everything we may want or need to on hand. We do a lot of same day pickup/dropoff. The higher selling/grossing parts with a lot of service requests are stocked the most, making sure those are on hand. At a Kia Dealership, engines take up a lot of our storage space.
4. What percentage of your business comes from Inside (RO/Internal/Warranty/Body Shop) vs Outside (Counter Retail & Wholesale)?

- In May:  $\$36,245/292,429 = \sim 12.5\%$  for Counter Retail and Wholesale
- Generally: 80/20

5. What policies, controls, and security are in place on your DMS (via Privileges and/or the Exception or Deviation Reports) to prevent counter people from changing the pricing structure during daily transactions?

- We have a small team, 3 plus me, and everyone has been here over 5 years with me so I have trained them and trust them, but I do get alerts through CDK when pricing is changed, which they all have the ability to do. The alerts come up as "Overrides".
- Pricing cannot be discounted below cost unless by Parts Manager.
- Complimentary Maintenance/Oil change packages that every vehicle purchased gets needs to have pricing changed on a daily basis. The 119 Pack on the oil change, which supports around \$60 per service, isn't enough to cover full oil cost and service labor, and so service can charge labor appropriately we have to discount to make the pre-paid package work.
- Do we increase the pack for the oil changes?

6. Who can change/override parts pricing? Cashier? Service Director/Manager? Service Advisors?

- Parts Manager and parts counterpeople can change the parts pricing, not the overall matrix. That is determined by corporate.
- Service Advisors can inadvertently adjust parts pricing via Shop Supply Recovery by discounting/increasing labor costs. Shop Supply Recovery is maxed out at \$39.97, or 15% of parts and service sales

7. Are you at Retail pricing for Internal? Who established your Internal parts pricing policies? Are they current?

- The group is at retail pricing for internal, actually a little above. Recently, corporate raised all of our internal parts pricing to 82% above cost, up from the previous pricing matrix of 67% over cost.
- Matrix Scale pricing
- Retail pricing for internal is current, working towards increasing manufacturer parts pay.

8. If you are in a Retail Reimbursement for Warranty state, are you at retail for warranty? If not, when was the last time you petitioned the OE for retail reimbursement?

- We are in a retail reimbursement for warranty state. Currently, we are not at retail for warranty. We were above retail for warranty, with warranty being at 70% above cost, and our retail matrix having our pricing 67% above cost. However, we adjusted our retail

pricing matrix to 82% above cost. Currently working towards establishing the internal and customer pay rates to increase the warranty pay rate.

- We have not petitioned for the OE for Retail reimbursement in years.

9. Do the Parts, Service and Body Shop Managers work with the Office Manager/Controller monthly to follow up on all Work in Process (WIP) documents. Do they verify that all parts invoices and repair orders are closed out in a timely manner? What does this look like?

- The parts and service managers do work with th office manager and corporate controllers on a monthly basis to follow up on WIP documents.
- Invoices are open mainly for parts that are backordered. The Group is hard on open RO/Invoices. Need to be able to explain each one. Most of the time, it is customer/insurance/aftermarket authorization on parts/pricing in order to get the job done.

10. Is the financial statement for the Parts department given to the manager and discussed on a weekly/monthly basis? If not, is a daily operating report of sales, gross profit, etc., provided to the Parts Manager for review (DOC)?

- The financial statement for the parts department is not given to the parts manager and discussed on a weekly basis. The financial statement and monthly goals are addressed between the parts manager and general manager at the end and beginning of months.
- Daily report of sales is not provided to the parts manager for review.
- I keep up with the daily sales and really the most variable selling account we have are wholesale accounts, which I pay attention to and an constantly working on.

11. What is your retail pricing strategy for your Parts department? How often do you check to see whether your pricing goals are being achieved?

- Pricing Matrix 67% over cost.
- Now pricing Matrix has bumped to 82% over cost.
- Currently Manufacturer pricing is 70% over cost to Kia. We had to raise internal and customer pay to try and get Kia to pay more.

12. How often do you audit your dealership's Parts web page? How often are coupons, hours of business, etc., reviewed and updated?

- I look at our dealership's part web page quite often. I handle all of the leads that come through the parts portal, it is enough for us to handle and get in contact with the lead and find exactly what they're looking for.

- Coupons are not often updated, hours of business as well. These stay quite constant as most business is wholesale, warranty, customer service pay, and internal.
13. Do you have a Parts online eStore? How do you ensure that parts order forms/queries are responded to in a timely manner? Who gets the email leads/questions?
- The parts order forms are responded to by the parts manager and parts counterpeople. These leads are addressed as they come in.
  - There could be a better way to address these incoming leads.
14. What sales training is available to Parts personnel? If training is available, is it mandatory? How often are sales skills assessed, tested, and refreshed?
- Ken Coker- Our Corporate Parts controller, offers training seminars every now and then.
  - Kia Manufacturer trainings. Kia offers parts seminars and trainings that are more sales oriented, which is nice, but the importance isn't stressed to parts personnel.
  - The Trainings are not mandatory. Skills are not often assessed, tested, or refreshed.
15. Do you have a process to offer accessories to 100% of your New and Used customers? If so, what does it look like? If not, why not?
- We do not currently have a process to offer accessories to 100% of our new and used customers, primarily just our new customers, and the accessories available are not stressed enough.
  - Nissan has a big portion of their process/e-delivery process that is dedicated to accessory education to the consumer, which I think is extremely effective and a good upsell.
  - Parts department is tucked in the back of the customer lounge.
16. What would help you sell more accessories?
- Guiding people to the accessory/parts area while they are waiting on finance rather than letting them hang out on the showroom floor while they wait. Exploring accessory options before allowing the customer to go into the E-Delivery process.
17. Do you review your wholesale customers to see if their sales, gross, and returns justify the expense of conducting business with them? How often are they reviewed?
- Yes, constantly
18. Do you know how much each of your Parts salespeople must sell each day just to breakeven?
- I have no idea how much each parts salesperson must sell each day to breakeven. I do a monthly budget, and depending on the number of working days in the month, I know how much we need to sell daily to breakeven. The parts department is quite small and so they operate more in a team fashion, especially with most business being internal.

- This is an opportunity for parts sales growth and to incentivize parts counterpeople with additional income.
19. What procedures do you have in place to ensure inventory accuracy and integrity? How are variances communicated to the accounting office?
- Weekly bin reports and tracking
  - Variances are talked to with office controller, don't have too big of an issue with inventory variances.
20. Are lost sales being tracked in your DMS? Do you have a common definition that all counter people understand? What is your definition?
- Lost sales are not being tracked in the DMS.
  - There needs to be training on lost sales, why they are important, and how to track them and avoid them. Knowing FTFR!
21. What is the biggest obstacle to getting your Special Order parts off the SOP shelves and installed/picked up?
- Getting Customers to come in for parts.
  - Service is making calls for parts for service appointments, if part is for service work to be performed for customer.
  - Service technicians ordering the wrong part
22. In your store, what do you feel is the biggest cause of frozen capital and/or obsolescence? What is the current dollar value of your obsolescence?
- No returning recall parts for recall service
  - 12 months no sale Obsolescence: \$41,000
  - ordering of incorrect parts
  - customer not coming back for parts
  - Not keeping up with parts returns
  - change of parts by manufacturer ex: new floor mats for vehicles, old ones no longer existing and OEM not accepting returns.
23. What is your phase in/phase out strategy? How do you balance this strategy with factory recommended stocking guidelines (RIM, ARO, Parts Eye, etc.)?
- Parts manager does not have a great phase in/ phase out strategy.
  - I primarily follow factory recommended stocking guidelines via Parts Eye, and depending on time of year/seasonality, may increase the orders of certain parts. Ex: Batteries

24. On a scale of 1-10 (10 = expert level) what is your level of understanding of the information that is on your DMS's monthly summary?

- 8

- 4

25. What is the one thing that your organization can do or provide to help the Parts Manager do their job more effectively?

- The organization can provide the Parts Manager with additional training resources for their team/counter people. Additionally, they somehow could offer additional storage space to house more parts to ensure we can stock and have on hand what we need.
- Noted Issue: Arguments with manufacturer for credits over damaged/missing parts/ arguing for credit for these kinds of parts and mistakes.